Written Statement of

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Hearing on
S.2686 the "Communications, Consumer's Choice, and Broadband Deployment Act of 2006"

Before the
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OPENING

Mr. Chairman, Co-Chairman Inouye, and other distinguished members of the Committee, I would like to thank you for holding this hearing today on S.2686 the "Communications, Consumer's Choice, and Broadband Deployment Act of 2006". Our telecom laws, while not broken, are clearly in need of updating. I commend you on your leadership in undertaking that difficult task.

I am here today in my role as Chair of the Satellite Industry Association (SIA)[1]. On behalf of the satellite industry, we would like to thank you for again recognizing the critical role satellite communications play in meeting the important broadband needs of consumers and businesses throughout the United States, and the vital communications needs of our nation's first responders.

Mr. Chairman, as you and Co-Chairman Inouye know all too well, in your home states of Alaska and Hawaii – and in other rural areas where terrestrial based communications solutions do not reach all residents -- satellite broadband, satellite television, satellite radio, and a host of other satellite services provide consumers and businesses alike with a wealth of voice, video, and data services and applications they otherwise would not have access to from terrestrial providers.

Furthermore, in areas where terrestrial services are available, satellite services give consumers all the benefits of competition, including greater diversity of service offerings, incentives for improving service quality, and downward pressure on pricing.

[1] SIA is a U.S.-based trade association providing worldwide representation of the leading satellite operators, service providers, manufacturers, launch services providers, and ground equipment suppliers. SIA is the unified voice of the U.S. satellite industry on policy, regulatory, and legislative issues affecting the satellite business. Additional information can be found at www.sia.org.
SIA Executive Members include: Artel Inc.; The Boeing Company; The DirecTV Group; Globalstar LLC; Hughes Network Systems LLC.; ICO Global Communications; Integral Systems, Inc.; Intelsat Ltd.; Iridium Satellite LLC; Lockheed Martin Corp.; Loral Space & Communications Ltd.; Mobile Satellite Ventures LP; Northrop Grumman Corporation; PanAmSat Corporation; SES Americom, Inc.; and TerreStar Networks Inc.; and Associate Members; ATK Inc.; EMC Inc.; Eutelsat Inc.; Inmarsat Ltd.; IOT Systems; Marshall Communications Corp.; New Skies Satellites Inc.; Spacecom Corp.; Stratos Global Corp.

On behalf of the SIA, I would like to offer our support today for two specific provisions in S. 2686:

? Section 252 – the *Establishment of a Broadband for Unserved Areas Account* which would designate both satellite service providers and satellite broadband consumer premises equipment eligible for funding from the USF Account.

? Section 151 — the Strategic Technology Reserve Initiative which proposes additional funding for federal, state, and local public safety and first responders to pre-position or purchase communications equipment, including satellite equipment, in advance to help prepare for future emergencies.

SECTION 252

First, I would like to focus on Section 252 and the role that satellites have played, and will continue to play in America's broadband rollout.

In a recent report to this Committee, the GAO found that "households residing in rural areas were less likely to subscribe to broadband service than were households residing in suburban and urban areas. Seventeen percent of rural households subscribe to broadband service, while 28 percent of suburban and 29 percent of urban households subscribe to broadband service."[2] While this does not represent discrimination on the part of wireline providers, the economics are such that fewer rural households will ever be served by DSL or cable modem service, than is the case in our cities and their suburbs.

Satellite-based broadband is ideal for addressing this digital deficit. The GAO noted that "satellite could be a cost-effective mechanism to provide broadband infrastructure into rural areas."[3] Satellite service providers today provide broadband service to more than 330,000 American consumers and small businesses – and we could do more.

Whether as providers of satellite voice communications or of other types of satellite-based telecommunications services, satellite service providers are part of the Universal Service Fund contribution system - we have been contributing to the USF for years. However, the

[2] Broadband Deployment Is Extensive throughout the United States, but It Is Difficult to Assess the Extent of Deployment Gaps in Rural Areas (hereinafter "GAO Broadband Report"), GAO-06-426, May 2006, at 12.
[3] GAO Broadband Report, Page 35.

USF provisions currently in the Act and the Commission's rules have in practice precluded satellite-based services from participating in many USF distribution programs.

This inefficiency has resulted in a situation where terrestrial network providers can potentially build out broadband-capable networks, with financial assistance from the Universal Service Fund, while many satellite service providers cannot apply for like assistance. The result is a competitively skewed marketplace.

For the first time ever, this legislation , S.2686, *the "Communications, Consumer's Choice, and Broadband Deployment Act of 2006"*, recognizes that satellite service providers facilitate Internet connectivity to America's rural and remote communities, and that these satellite service providers should be eligible to participate in universal service distribution programs on the same basis as their terrestrial competitors.

Until now, most satellite broadband providers have been ineligible to participate in many USF distribution programs for two reasons; 1) because satellite operators typically conduct their business as non-common carriers, and therefore cannot qualify for USF distributions earmarked for common carrier services, and 2) because the nature of satellite communications requires that all network infrastructure be constructed and launched before even the first customer can be served.

We have no fiber to lay and no wireless towers to construct to extend our networks to reach new users. The "last mile" for satellite broadband service is instead the deployment and activation of satellite customer premises equipment. S.2686 is the first legislation that recognizes that satellite broadband customers should benefit from the federal incentives that have long been available for broadband services using other technologies.

Importantly, many of these satellite customers are in rural and remote parts of the United States. By making customer premises equipment eligible as a USF "project," your legislation significantly enhances satellite's capability to compete throughout rural America in a technologically neutral fashion and on a level playing field with our wireline competitors. Thank you for your leadership in this area.

With regard to other elements in the universal service section of the bill, we endorse the freedom that S.2686 would grant the FCC to revise existing policies and construct a well-balanced universal service contribution and distribution system. In designing such an even-handed system, the unique features of different broadband technologies, including satellite, must be taken into account.

SECTION 151

Second, Mr. Chairman, I would also like to focus for a few moments on Section 151, the *Strategic Technology Reserve* portion of the Bill which proposes additional funding for federal, state, and local public safety and first responders to pre-position communications equipment, including satellite equipment of all kinds, to help prepare for future emergencies.

As we all know, satellite communications have played a critical role during the response to each of the natural and man-made disasters in recent years. Following the terrorist attacks of September 11th, 2001, when New York City's terrestrial communications networks were damaged and overloaded, satellite communications services easily maintained connectivity and satellite equipment was quickly deployed to meet urgent needs. In 2005, satellite communications provided a lifeline for aid workers and victims in the remote islands of the Indian Ocean and in the earthquake-desolated towns and villages of Pakistan. And most recently during last year's hurricane season, satellite communications once again proved their essential value when all other forms of communication were wiped out in the nation's Gulf region following the devastation caused by Hurricanes Katrina, Rita and Wilma.

Quite simply Mr. Chairman, while the outages on terrestrial networks surged in the days following these events, satellite service providers stepped in to seamlessly handle a corresponding surge in demand for capacity and service.

When the terrestrial telephone and broadcast networks went down, satellite networks maintained service. Satellites connected emergency personnel and first responders. Satellites reconnected communities. And satellites enabled the world to witness the devastation of these disasters and also the many acts of heroism.

In addition to the “mobile satellite” service providers, the “fixed satellite” service providers and their resellers stepped in immediately to provide instant infrastructure and emergency voice, video, and data communications in these hard-hit areas. Satellite companies offered a wide range of services, from transportable ATM machines to high-speed Internet access for families to stay connected, to dozens of organizations, including federal, state, and local government agencies to schools, churches, and local relief organizations.

Small businesses such as retail gas stations and convenience stores, and larger businesses such as insurance companies, banks, and news organizations also used satellite capacity. For example, one satellite provider re-established Wal-Mart's satellite communications network, helping Wal-Mart become one of the 'life-support systems' for local communities during their recovery.

Satellite operators also reconfigured capacity and service to help cellular providers such as Cingular and Sprint Nextel, and long distance carriers MCI and AT&T re-establish their networks and provided connectivity to mobile vans for relief agencies.

The satellite television broadcast community also played a key role, by helping to ensure there was an efficient method of communicating critical information to first responders and the general population within the areas affected by Hurricanes Katrina and Rita. For instance, a 24/7 dedicated broadcast station was made available to FEMA and the Red Cross for disseminating hurricane-related information.

In addition, over 20,000 satellite phones and terminals were deployed to the region in the days immediately following landfall. First responders, relief workers, government officials, reporters and others quickly demanded additional phones, and despite the impressive statistic that I just cited, for each phone and terminal provided, countless requests were unmet because equipment supplies were soon exhausted.

Though the performance of satellite networks and equipment were impressive, their use was limited by a lack of preparation and training. Had satellite equipment been more effectively pre-positioned and integrated into our emergency communications network, many of the

communications problems that occurred in Alabama, Louisiana, and Mississippi recently, and in New York City after 9/11 would have been substantially mitigated.

Until recently, satellite communications was only considered as a last resort option when terrestrial facilities failed. Until recently, the availability of satellite equipment for emergency response had been handled largely by relying on whatever excess capacity exists after the event. The 2005 hurricane season demonstrated that this type of reliance is flawed and ultimately dangerous. Given the advance warnings for Hurricanes Katrina, Rita and Wilma, satellite handsets, mobile terminals, and small transportable satellite antennas could have been better pre-positioned in the region prior to landfall and available for immediate deployment in the aftermath.

Therefore, we commend the Chairman and the members of the Committee for learning from these recent disasters and creating the Strategic Technology Reserve Initiative which will allocate funding for federal, state, and local first responders and enable them to think strategically about the satellite communications equipment, including but not limited to satellite telephones, that they will need to adequately respond to a disaster, before such an event occurs.

Satellite products work today. They provide redundancy today. They work with other communications systems today. As such, the Government needs to facilitate a wider pre-positioned deployment of these assets today by ensuring that satellite capacity and equipment become part of the comprehensive redundant communications solutions for first responders at the planning stages, rather than at the last minute.

In recent months, there have been calls for a new interoperable communications network for federal, state, and local first responders and funding for new technologies and networks that can withstand such disasters. The satellite industry has heeded those calls. Several satellite companies are moving toward deploying hybrid satellite-terrestrial networks that will provide greater redundancy and interoperability than any previous communications medium. Others are enhancing their service provision to configure needed services on a moment's notice.

The satellite industry is working hard to maximize utilization of the highly survivable, redundant, and ubiquitous services that are uniquely available via space communications today. Interoperability is an important goal, but you must ensure OPERABILITY following a disaster before you can benefit from INTEROPERABILITY. Mr. Chairman and Mr. Co-Chairman, we submit to you today that satellite communications provide that vital OPERABILITY when terrestrial networks have been damaged or destroyed.

CLOSING

In sum, the Satellite Industry Association would like to commend the Chairman and the Committee on S.2686 -- for the proposed reforms to the Universal Service Fund system and for its improvement to public safety communications in preparation for the next natural disaster or national emergency. SIA looks forward to working with you and the rest of the Committee Members and their staffs on this important legislation.

Thank you.